

CASH *WAQF* MODELS FOR FINANCING IN EDUCATION

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ABSTRACT

Cash *waqf* is a trust fund established with money to support services to mankind in the name of Allah. The gifted capital was “transferred” to borrowers for certain period, which was then spent for all sorts of pious and social purposes inclusive for the investment objectives. It is recognized that there is no ample study in the area of cash *waqf*. Again literature is very scanty relating to the cash *waqf* area especially for the establishment of Islamic financial institution for financing in education. The main objective of this paper is to examine and compare various cash *waqf* models as proposed by many Muslim scholars. The methodology of this paper is a qualitative research through document analysis of relevance references pertaining to cash *waqf* models. The general finding of this article shows that there is possible structure for *waqf* instrument that can be implemented in the future for the financing of education. It is expected that with a proper mechanism of *waqf* financing provided by specific Islamic financial institution, it is able to benefit many parties in getting financing facilities as well as for investment purposes that may attain the both objectives of this world and the Hereafter.

Keywords: *Waqf, Cash Waqf, Islamic Bank, Islamic Financial Institutions*

1. INTRODUCTION

The word *waqf* is derived from the Arabic root verb “*waqafa*” means ‘causing a thing to stop and standstill’. It also takes the meanings of ‘detention’, ‘holding’ or keeping. *Waqf* which (pl. *Awqaf*) is called *Boniyad* in Iran and *Habs* (pl. *Ahbas*) in North and West Africa. However, by taking its different meanings into consideration *waqf* can be applied to non-perishable property whose benefit is extracted without consuming the property itself. Although, *waqf* is not specifically mentioned in the Holy Quran, the concept of wealth distribution is strongly emphasized therein (Chowdhury *et.al.*, 2011). Distribution of wealth is a key issue in the modern economy to make it more dynamic, prejudice free and entrepreneurial. However, a hadith narrated by Abu Hurairah [May Allah be pleased with him (Ra)] is considered as the origin of this institution in the world of Islam. “*Abu Huraira (Ra) reported Prophet Mohammad [Peace be upon him (Pbuh)] as saying: when a man dies, all his acts come to an end, but three; recurring charity (sadaqah jariyah) or knowledge (by which people are benefited), or a pious offspring, who prays for him*” (Reported by Muslim, No. 4223)

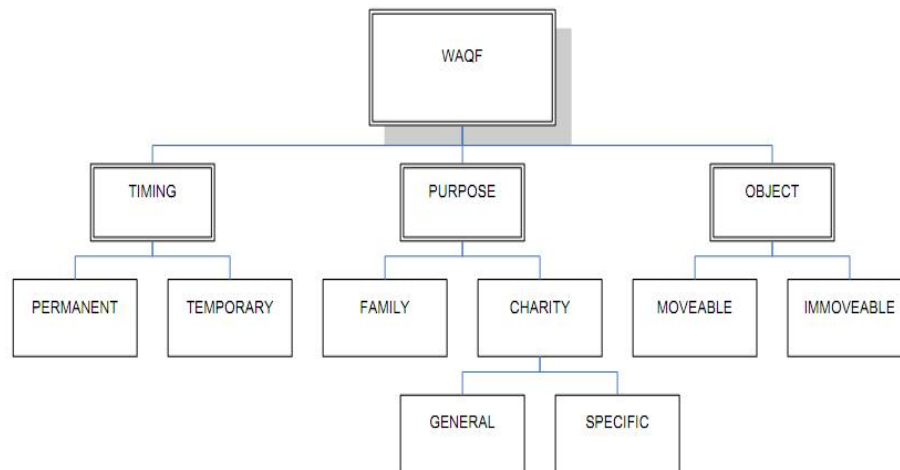
Generally, *waqf* can be classified into several categories on the basis of three diverse aspects that is, timing, purpose and the object of *waqf* (Jalil and Ramli, 2008).

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Figure 1: The Categories of *Waqf* in Islamic Jurisprudence



From *shariah* point of view, *waqf* may be defined as holding a maal (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness or philanthropy. this definition also covers several news forms of *waqf* that were not discussed in the classical literature, such as the *waqf* of financial rights and *waqf* of usufruct, are covered by the definition of the word *Maal* (asset) according to the majority of fuqaha' and as expressly mentioned in the collective fatawa, especially tha OIC Fiqh Academy(Monzer Kahf, 1998).The contemporary jurists also justify the validity of the cash*waqf*, because it is in the interest of the *waqf*, its beneficiaries and the society (Tahir, 2011).

In addition *waqf* assets can also be immoveable or moveable (e.g. cash*waqf*). In cash*waqf* al-waqif (donor) endowed cash instead of realestate. Cash*waqf* begin in primeval Mesopotamia, Greece and the Roman Empire. In fact, in the eighth century, Imam Zufar had approved cash*waqf* in the Islamic World for the first time. According to him cash*waqf* would be invested through *Mudarabah* and profits would be spent for charity. Nevertheless, cash*waqf* did not expand and mature until the 16th century and after that century it became popular, especially among the ottomans. Although there was controversy on the legality of cash*waqf*among the Shariah scholars but thousands of cash*waqf* continued to be endowed. In particular, cash*waqf*was supported by the Ottoman Sultans, because funds were financed in the expansion of Islam in Europe (Cizakca, 2004, 2010).

Therefore, many Muslim did not get chance to participate in *waqf* endowment because there is a wrong perception among Muslims that there may be *waqf* endowment through only land not in cash. They believe land can fulfill the three conditions of *waqf*such as perpetuity, irrevocability and inalienability. However, land may be subject to demolition, destruction due to the natural calamity and *waqf* will only last till its value exist (Mohammad, 2008). Through proper cash*waqf*management, it is easily possible to hold*waqf* value as well as value enhancement.As a result, those who do not have land can participate in endowment through cash*waqf*.In addition, nowadays people have more choices for *waqf*by including cash into *waqf*.

Furthermore, cash*waqf* is far more important since it is more productive compared to land, buildings, books, cattles and so on, as it is testified by the existing research studies and have been found profitable in the practices of modern Islamic financial system. In fact, in cash*waqf*the amount or value of the *waqf*is not an important issue, rather it is worthy to involve whole *ummah* in the process of *waqf*, so that everyone irrespective of financial condition could be involved by contributing as little as a cent within the prescribed systems of institutionalizing

the concepts under government or private initiatives and guidelines provided by Islamic doctrines. Because, it is not only the preserve of the wealthy (Chowdhury *et.al*, 2011). That is anyone, subject to certain *Shariah* conditions, can be *al-waqif* (donor) through *cashwaqf*.

2. CONCEPT OF CASHWAQF

Cashwaqf are charitable endowments established with cash capital. What distinguishes these from the standard real estate endowments is the nature of their capital, corpus, which is in the form of cash. The corpus of the real estate *waqfs*, by contrast, is in the form of real estate. Thus, whereas a well to do Muslim normally endows his real estate and channels its rent revenue for charity, in the case of a *cashwaqf*, not real estate but cash is endowed and the revenue generated out of the investment of this cash is then channelled for charity (Murat Cizakca, 2004).

Cashwaqf can only be distributed and allocated for anything not against *Sha'riah* Law. This form of *waqf* provides opportunities for facilitating its participation in social development (Tanim Laila, Undated).

- a) Mass Participation: It provides an opportunity for participation of all segments of the Muslim society and not just the wealthy Muslims, like in the case of real property *waqf*. This gives every interested Muslim a chance to participate, contribute with whatever means he has to offer, even with the simplest amount.
- b) Rightful Utilization: *cashwaqf* scheme can gather the scattered endowments to create a common fund to maximize its utilization rather than the endowment being spent in mere consumer consumption. This lends itself to employ an efficient management scheme of modern financial system and thereby protect *waqf* being destroyed by incompetent *Mutawallis*.
- c) Social and Economic Development: Such a scheme can enhance the government's national development plan for poverty eradication and social services through co-ordination. In fact the fund raised by *cashwaqf* scheme can be used to fund microfinance projects which are currently funded by high interest rate and charges.

Dunya listed the significances of *cashwaqf* as: (a) compare to immovable property many members of the public have cash. (b) *cashwaqf* is the best way for a joint *waqf* (*waqf mushtrak/waqf juma'i*), thus, it can attract finance for the development of diverse and big projects. (c) *cashwaqf* can be invested in diverse economic activities, and therefore greater revenue can be expected. (d) It can be for any objective, and any social purposes. (e) The chances for the growth of this *waqf* are higher. Maiman added that it is easily liquefiable compare to realty (Tahir, 2011).

Ammar further listed the benefits of *cashwaqf*. They are: (i) currency as the benefits or replacement of coins is the medium for exchange of goods. (ii) Currency is replaceable with similar (i.e. it is a *mal mithli*). (iii) *cashwaqf* enables everyone to donate as *waqf*, whereby the poor and needy can benefit from the abundance of resources. (iv) *cashwaqf* is capable of creating more economic stimulus, and it can be a welfare fund used to sponsor many educational, social and health projects. To sum, the coins of the old, the paper currency of today, or any other form of liquid asset, under modern banking practice, can be the object of *waqf*. For the purpose of loans and investment, currency will be more useful to a bank, while other forms may end up in non-liquefiable asset, unless prudent deeds of *waqf* are in place, empowering the bank to use certificates of shares, sukuk and others as currency (Tahir, 2011).

3. LITERATURE REVIEW

The study of cash *waqf* was done by several researchers in recently time. Murat Çizakça (1998) explains that historical evidence indicates that the real exiting potential lies in the cash *awqaf*. The *awqaf* system has provided throughout Islamic history all the essential services at no cost to the state and a successful modernisation of the system implies a significant cut in government expenditure and all the associated benefits including downsizing the state sector and a reduction or elimination of *riba*. Cengiz Toraman *et.al.* (undated), conclude that in a society where health, education and welfare were entirely financed by gifts and endowments, the cash *awqaf* carried serious implications for the very survival of the Ottoman social fabric.

Islahi (1992), stated that the internationalize the voluntary institution of *awqaf* is needed nowadays, by setting up a non-government world Muslim foundation which should provide public goods on large scale and in much more significant fashion than has been the case up till now, to combat illiteracy, sickness and lack of technical know-how.

Monzer kahf (1998), explain the importance of *waqf* for socioeconomic development, which is consists of creating and developing a third sector distinct from the profit-motivated private sector and the authority-based public sector, and changing this third sector with the responsibility of performing a group of tasks whose nature make them better achieved. This third sector assigned in education, health and social and environmental welfare. Furthermore, it can provide defense services and public utilities in many instances.

Chowdhury *et.al.* (2011) explain that cash *waqf* would also help to reform the present institutional setup and their networking relationship throughout the country with a view to increasing their performance in the direction of the efficient and need based dynamic management of the *waqf* affairs and systems which total policy dimensions at micro and macro mixed with the diversified objectives of innovations and development in the *waqf* management systems complying with the *Shariah* guidelines.

Again Tahir (2010) explain that the *waqf* bank can be applied as the bank of the poor. It can be permissible in Islam based on validity of cash *waqf* and the need of *waqf*, its beneficiaries as well as the society. But, If there is favourable political will institution of *waqf* through *waqf* bank contribute to society greatly. The institutions of *waqf* have the unrealized potential to establish a *waqf* Bank.

Tahir & Hamid (2006) explain that the new formulation of *waqf* may be realized by making a distinction between the perpetuity of the physical being of the object and it is not 'dedication' of benefits. New form of *waqf* can be declared in the non-traditional way. Old *waqf*, however, may still remain subject to the old conditions as long the greater interests of the *waqf* are not threatened by these conditions.

Wafa (2010) explains that the impact of Developing *Waqf* For Education In Malaysia not only promoting the significant rule of *waqf* towards the country, but also will be impact to (1) promoting the third sector of Islamic Economic, (2) establishing economic activities through several projects, and business, (3) complementing the royal aid development, benevolent and educational programs, and (4) promoting the oneness of society.

4. MODELS OF CASHWAQF FOR EDUCATIONAL FINANCING

The permissibility of cashwaqf can be extended to waqf bank for several reasons. (1) waqf issues are rational (*ijtihadi*), (2) The Utility of a Waqf Bank, (3) Compliance of the Structure and Operation of a Waqf. Thus, the establishment of waqf bank could be allowed for the benefit of waqf, its beneficiaries, and also public interest of (*maslahah*) as long as it is not against *Shariah* principles. The function of cashwaqf can be the function of a waqf bank through loans to the needy, and investment on *mudharabah*, *mu'malah*, and *ijarah*. If a wider application is given to the idea, a waqf bank can use such cashwaqf for the same purposes (Tahir, 2011).

4.1. Waqf Bank Model 1

As a rule, productive waqf must be kept invested and income generating, which can be best achieved by going to the business of banking. The contemporary Islamic banking practice provides evidence of successful cash investment methods that are not only good for expecting good returns on the investment but also protection of the capital which will be discussed in due course.

Additionally, the bank will use cashwaqf for its capital according to fiqhi principles in its operations (both loans and investment). Therefore, the core characteristic of waqf i.e. perpetuity of the object or the capability of recurrent use and benefit, would apply to both the cashwaqf and waqf bank alike.

Figure 2: Waqf Bank Model 1

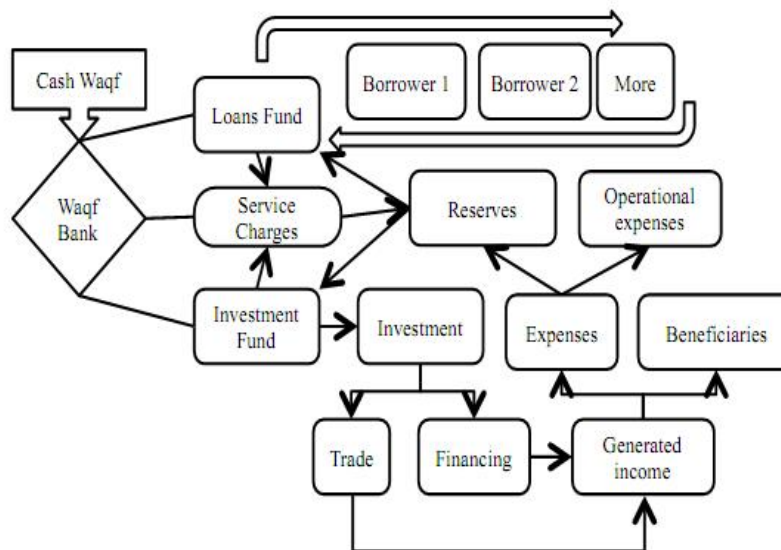


Fig. 1. Waqf Bank's Proposed Structure and Operation

First, the bank can be entrusted with cashwaqf or collect cashwaqf from the public for special purposes disclosed and easily available to the donating public. Once such deposits are made, the bank can disburse the cash, which is dedicated for loans, to the indebted, for marriage, and for any other welfare project. As borrowers settle a loan, the repaid amount can be once again loaned to another. This will be repeated whenever an amount is available in the given fund. The cash can be maintained perpetually, provided compensations for losses and market fluctuations are planned and paid. For this, a special account called the reserves account will be needed. As

the Loan's Fund will be disbursed interest free, minimum service charges will be imposed on borrowers, a proportion of which can be for making good on losses and damage suffered by the fund.

Second, the *waqf* bank can be entrusted with investment deposits or its own *waqf* capital. The same as cash*waqf*, the bank has to operate the entrusted capital in an income generating business. This capital is not to be used for purposes other than investment; its protection and growth will be the main function of the bank. Such funds are established to use its income for the benefit of the society or the purpose for which the donors have dedicated them. Therefore, the capital has to be invested in any permissible transaction capable of generating income. The *waqf* bank can use all these modes. This is particularly true in the case of cash, which is not donated to be disbursed for loans. In other words, the bank will use cash the income of which is dedicated for welfare, in the majority of its investment transactions.

The bank will benefit *waqf*, and its beneficiaries, as it can provide adequate capital to *waqf* institutions. It can attract a large sum of cash, both *waqf* and non-*waqf*. It is possible that the mission and the ethical system of the bank will attract many individuals and entities either to donate or to save and earn profits.

Figure 3: *Waqf* Bank Model 2

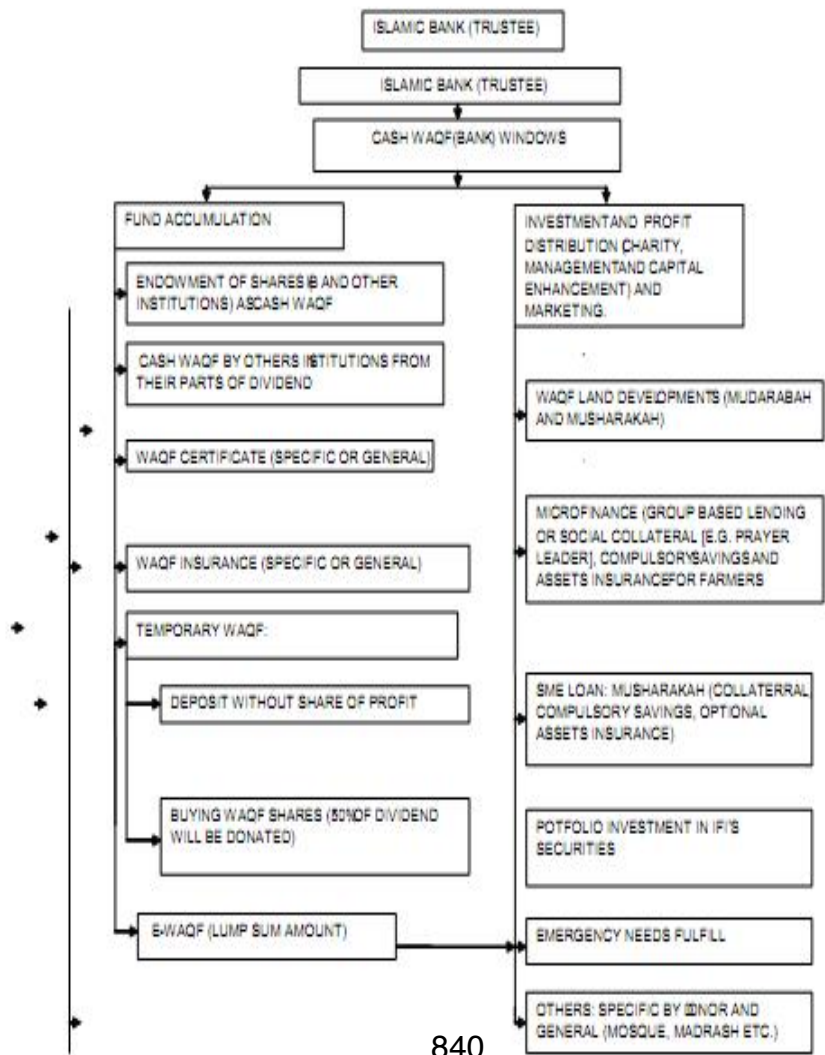


Figure 2. Cash Waqf model.

In doing so, the mechanism of this figure is as follows;

First, Islamic Bank will act as a trustee for *cashwaqf*. It will supervise and monitor the collection of *waqf* fund, investment and distribution of profit to the charity activities. Although, Islamic Bank will monitor all activities of *waqf*, but actual financing, investment and profit distribution will be done under proper management of its *cashwaqf* windows. If in the future the windows activities expanded in a large extent, then it would be operated as a separate *waqf* Bank.

Second; The mentioned techniques in the *cashwaqf* Model can be used to raise *cashwaqf* fund. It requires diverse techniques because different al-waqif (donor) prefers dissimilar way of *cashwaqf* endowment. The techniques as follows; (1) Endowment of shares (Islamic bank and other institutions) as *cashwaqf*, (2) *cashwaqf* by other institutions from their parts of dividend, (3) *waqf* certificate, (4) *waqf* insurance, (5) temporary *waqf*, (6) deposit without share of profit, (7) e-*waqf*.

Third, in term of investment, the use of *cashwaqf* fund in the best Islamic mode of financing, such as *Musharakah*, diminishing *Musharakah* and *Mudarabah*, or a combination of both two. In doing so, *waqf* fund should be used to finance pious people and other IFI's, basically for two reasons. Firstly, al-waqif donates money not only to help poor people but also to get reward hereafter or to satisfy Allah and secondly, honesty is very important for successful *Musharakah* and *Mudarabah* contract. The investment can be invested through *waqf* land developments, microfinance, small and medium enterprise (sme) loan, portfolio investment in Islamic financial institution's (IFI's) securities.

Fourth, the profit distribution should be distributed according to the donor's will. However, if he assigns the responsibility to the bank, then it can be distributed in three ways: (1) to charities such as mosque, *madrassah*, poor, social activities, training of youth, marriage for poor girl, religious education etc, (2) to management includes maintenance, managerial expenses and future development and capital enhancement, (3) to marketing because when there is any natural disaster (emergency needs fulfill) or illness etc. then through publicity by television, radio or newspaper it is always easy to raise donated fund. So through proper marketing policy it is possible to encourage people to endowed more *cashwaqf*.

5. CONCLUSION

From the discussion above, the general finding of this paper shows that there is possible structure for *waqf* instrument that can be implemented in the future to the education financing. Again the discussion about *cashwaqf* needs to be more extensive to find the best system and model to establish the development of country.

Because of education is very important for the development of human capital and achievement of economic well-being for oneself, society and nation at large. In doing so, the idea of establishing an Islamic *waqf* bank which designed for education financing is very attractive. The permissibility of cash *waqf* and suitability of capital of Islamic bank can be considered as *waqfas* well business with good structure to solve the problem of students in his education financing. Its also can be extended to Islamic *waqf* bank and the need of *waqf*, its beneficiaries, and the general interest of the society or public interest (*masalahah*) demand the validity of Islamic bank.

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